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SUBJECT: FLOWER UNION WITHERS AFTER LABOR DISPUTE

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(D)

SUMMARY

11. (C) A labor dispute at a bankrupt flower farm is a case of lose-lose negotiating in Colombia. When workers occupied the Benilda, S.A. plantation in September to protest unpaid benefits, the company went into bankruptcy. The owner claimed he was hamstrung by high labor costs and currency appreciation, but the union and local authorities said he had in fact transferred Benilda assets to other companies he secretly owned that do not employ union workers. Workers will receive severances in two to three years through a liquidation process, but will face difficulty finding new jobs in Colombia's flat economy. Meanwhile, the union has lost most of its members, effectively ceasing to exist. End Summary.

WORKERS DEMAND THEIR BENEFITS

12. (SBU) The National Union of Flower Workers (UNTRAFLORES) President Aide Silva and Legal Advisor Alejandro Torres told us that Benilda had not paid into workers' pension funds since October 2008, nor had it paid health benefits and payroll taxes since April 2009, despite withholding these funds from workers' paychecks. UNTRAFLORES made numerous appeals to the Ministry of Social Protection (MPS), which resulted in sanctions but no change in the company's accounting practices. Silva explained that the union was left with no option but to occupy the Benilda plantation in protest on September 7.

PESO REVALUATION HAS HIT THE INDUSTRY HARD

13. (SBU) Benilda owner Carlos Mejia blamed high labor costs and

peso appreciation for his company's failure to keep up with benefits payments. He said his unionized workers (500 of 1300) earned 40% more than his short-term contractors, who worked for the minimum wage and more modest benefits. He told us Benilda could not afford to pay salaries that were higher than the industry average, especially in the prevailing economy. The growing strength of the Colombian peso against the dollar had dramatically reduced sector-wide revenue, leading to fierce competition with companies that contracted most of their labor. (Note: Producers receive dollars for exported flowers but pay wages in pesos, such that their costs effectively increase whenever the peso appreciates. End Note.)

14. (SBU) The Association of Colombian Flower Exporters (ASOCOLFLORES) President Augusto Solana confirmed that the strengthening peso has contributed to a 63% increase in sector-wide labor costs since 2005. The monthly dollar earnings of a minimum-wage worker equated to \$265 at 2,322 pesos to the dollar in 2005, compared to \$431 a month at 1890 pesos to the dollar in 2009. While producers have identified ways to cut costs and increase productivity, the potential gains have been limited because labor accounts for 60-70% of overhead, Solana said. Consequently, there is tremendous pressure on producers to shed high-wage workers.

BOTH SIDES POINT THE FINGER

15. (SBU) The union claimed that Mejia used the economic problems of the industry as an excuse to squeeze concessions out of union workers or replace them with low-cost contractors. They alleged that he surreptitiously transferred assets, including employee withholdings and \$500,000 from an employee credit union fund, to other plantations that he secretly owned. For example, Silva showed us a tarp fence demarcating a boundary between Benilda and an adjacent plantation, Copa Flowers. She said the fence did not exist prior to June 2009, nor did Copa Flowers. Workers wearing Benilda uniforms worked on both sides and Copa Flowers workers were former Benilda contractors. She also pointed out that Benilda and Copa Flowers shared electricity and water systems.

16. (SBU) Mejia denied the union's allegations and offered a rival theory. He claimed that UNTRAFLORES leaders stood to make a lot of money by forcing Benilda into bankruptcy. In exchange for securing favorable severance packages, workers would allot UNTRAFLORES 20% of the bankruptcy payout obtained through liquidating the company's assets, estimated at \$3.5 million.

AUTHORITIES SUSPECT UNDER-THE-TABLE DEALS

17. (C) Local MPS official Nancy Pelido and Madrid Mayor Diego Sicardo sided with the union account of events in telling us that Mejia was likely the unofficial owner of Copa Flowers and had stakes in other nearby plantations, though there were no documents to prove it. Sicardo suspected that Mejia, rather than sell Benilda "because no one would buy a flower company that had unions," illegally transferred his assets into Copa Flowers. Pelido and Sicardo doubted that UNTRAFLORES had negotiated a deal with workers to get a cut of the bankruptcy settlement.

NEGOTIATIONS END IN BANKRUPTCY, DEMISE OF UNION

18. (SBU) During negotiations hosted by MPS Vice Minister of Labor Ricardo Echeverri, Mejia argued that a new collective bargaining

agreement with minimum-wage salaries (a 15% pay cut) was the only way to preclude bankruptcy and preserve workers' jobs. UNTRAFLORES insisted that Benilda fulfill its current collective bargaining agreement even if it meant declaring bankruptcy and liquidating company assets. MPS officials tried to reconcile the parties in the interest of preserving jobs, but finally approved bankruptcy proceedings when neither side would budge. Authorities will appoint a government liquidator who will oversee the process, which will take an estimated two or three years.

19. (SBU) The union leaders told us that management was determined to escape collective bargaining at all costs. Hence, they concluded that their last resort was to seek adequate severance packages for workers. Most UNTRAFLORES members had been with the company for 10-20 years or more. They will each receive severance packages of about \$5,000 dollars, based on seniority. One point on which everyone cited above agreed was that the workers would be blacklisted from the flower industry for their role in bringing down Benilda. In Colombia's sluggish economy, it is likely that these formerly unionized workers will have to seek work in the informal sector. UNTRAFLORES leaders predicted that, left with no employer, members or contract, the union would close up shop.
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